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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 006384

SIPDIS

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TAGS: OVIP PREF PCOV ECON KWBG IS GAZA DISENGAGEMENT ISRAELI PALESTINIAN AFFAIRS GOI INTERNAL

SUBJECT: PERES TO CODEL HAGEL/BIDEN: DISENGAGEMENT IS
PRIORITY AS FIRST STEP TO PEACE

REF: TEL AVIV 6045

Classified By: DCM Gene A. Cretz for reasons 1.4 (b,d).

1. (C) Summary: Labor Party leader Shimon Peres told a visiting congressional delegation led by Senators Chuck Hagel and Joseph Biden December 1 that he supports joining the ruling coalition in the interest of advancing disengagement. He predicted (correctly) the likely failure of the 2005 budget in a Knesset vote scheduled for that evening and the resulting collapse of Prime Minister Sharon's Likud-Shinui coalition brought on by Sharon's dismissal of Shinui ministers for voting against the budget. Peres also expressed his views on Likud party divisions over disengagement, the Palestinian leadership, and on possible final status scenarios for Jerusalem and the Palestinian refugees' right of return. Peres emphasized the need for both Israel and the United States to assist the Palestinian leadership that is emerging after the death of Arafat.

2. (SBU) The delegation was comprised of senators Chuck Hagel, Joseph Biden, Dianne Feinstein, and Lincoln Chafee. The senators were accompanied by professional staff members Dr. Andrew Parasiliti, Tony Blinken, Puneet Talwar, Deborah Brayton, and Peter Cleveland. Charge Cretz and poloff joined the meeting. End summary.

Peres: Coalitions are Expensive

3. (C) Labor Party leader Shimon Peres correctly forecast to Codel Hagel/Biden December 1 that Prime Minister Sharon would not have the votes to pass his 2005 budget that evening (reftel), that the secular Shinui party would oppose the budget, and that, in response, Sharon would make good on his threat and dismiss Shinui from the government. Referring to Sharon's NIS 290 million budget deal with the United Torah Judaism (UTJ) party, Peres noted that "it is expensive to pay for a coalition," and that Shinui had decided to vote against the budget not for economic reasons, but to oppose the GOI's support for a religious party. Peres explained that the failure to pass the budget that evening would not cause the government to fall. He added that even no-confidence motions that achieve the requisite 61-vote absolute majority would still need to include a proposed alternate prime minister, something the varying opposition parties could never agree upon.

4. (C) Peres stressed that if Sharon asks Labor to join the coalition in the event Shinui departs, Labor will join to ensure that "the first move toward peace -- disengagement" goes forward. "Better to have a mediocre peace plan with a majority (of support)," Peres said, "than a brilliant plan with a minority." Peres noted he does not support moving to early elections now, since this would mean postponing implementation of disengagement. In response to Senator Biden's question as to whether Sharon shares the view that implementing disengagement is of paramount importance, Peres said that he believes Sharon is "convinced about (the need for) disengagement." In Peres' view, Sharon introduced his disengagement plan because he did not want to negotiate with Yasser Arafat or be "dragged" into accepting a third party's peace proposal.

Sharon Sees Realities

5. (C) Senator Biden sought Peres' view on Sharon's approach to the territories. Peres opined that Sharon has "turned from" his earlier ideological approach, but that he has not yet made a "U-turn." Peres noted that Sharon knows that there must be a two-state solution, but what is not clear is where the borders of those two states would be. "(Sharon) is not convinced he needs to give back everything," Peres explained, "but he appreciates the U.S. position." In response to Peres' observation that the settlers represent the greatest challenge now to Sharon, Senator Feinstein questioned why Sharon then continues to add to the settlements. Peres said he could not explain "mistakes," but added that it might be to soften the position of settlers with regard to disengagement.

6. (C) In response to Senator Biden's query about Likud's

position on disengagement, Peres said that Likud generally supports Sharon on personal but not ideological grounds. Peres predicted that if Likud elections were to be held now, the party might choose a leader more to the right than Sharon. It is because of his disengagement plan, Peres noted, that Sharon lost his traditional allies, the religious parties. "I'm against religious parties," Peres underlined, and, making an inference to Shinui, said "but I'm also against anti-religious parties." Peres stressed that Labor can help Sharon to achieve what he would like since relations between himself and Sharon "are not poisoned." "I'm aware of Sharon's problems," Peres added. Biden queried whether National Security Chief Giora Eiland, who had briefed the Codel immediately before their meeting with Peres, represented Sharon's views. Peres opined that Eiland "is very serious," and, while not a spokesman for Sharon, does understand Sharon, although Eiland's thinking "is a little more advanced."

Peres Sees "Great Opportunity"

17. (C) Regarding the Palestinian political climate after Arafat's death, Peres stressed that he has a "high opinion" of the present Palestinian leadership, noting that it is "patriotic" and savvy and "cannot be sold a bill of goods." Peres underlined that the leadership really believes that terrorism is counterproductive to its goals. While not discussing the details, Peres advocated that the U.S. and Israel support the Palestinian leadership in its efforts to bring the various factions under its control since it will need a "competent force" behind it. Peres said that there are "common denominators" between what the Palestinians and the GOI see as a solution to the conflict. The Israeli and Palestinian leaderships are "more or less" in agreement on borders, and land swaps could solve the differences, he said.

Peres on Jerusalem, Refugees

18. (C) Peres underlined that he would support reaching a solution to the conflict with the Palestinians one step at a time. Peres said he would support giving back 50 percent of the occupied territories, and then working on giving back more. Peres said there is "no hurry" to solve the issue of Jerusalem since Jews and Palestinians continue to live together. He explained that Jerusalem is composed of the Holy Basin (or city) and the new city comprised of 18 suburbs -- 10 Jewish and eight Palestinian. "(Everyone) understands," Peres underlined, "that all eight (Palestinian suburbs) would go to the Palestinian Authority...and that this will improve (Israel's) demography." Peres advocated that Jerusalem's Holy Basin be an "open city," dividing it up according to religious function, with Jews, Muslims and Christians wielding authority over their respective holy sites. Joking that "the Messiah is the best diplomat we ever had," Peres noted that Jews are forbidden to build on the Temple Mount "until the Messiah arrives." The UN Secretary General could serve as mayor of Jerusalem, Peres said, and the Israeli and Palestinian prime ministers would serve as the deputy mayors. Peres said that he presented this idea to Arafat, who agreed with it but who noted that it would need the agreement of Muslim authorities.

19. (C) Peres stressed that the more urgent matter than Jerusalem is that of the Palestinian refugees' right of return. He noted that the Palestinians "insist on the right of return" and Israel wants the Arabs to stop raising this issue and to agree that all refugees will be settled in a future Palestinian state. Senator Feinstein raised the prospect of the Geneva Initiative solution of Israel agreeing to a negotiated number of refugees returning to Israel. "This won't fly," Peres responded.

110. (SBU) Codel staff cleared this message.

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